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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

February 10, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF: 06KD-008

KAUAI

Consent to Assignment, Mortgage and Estoppel Certificate, General Lease Nos. S-3831, S-3840 & S-4647, Kauai Beachfront Hotel, LLC, Assignor, to Anekona Aloha Ownership LLC, Assignee and Mortgagor, Wailua, Kauai, TMK: (4) 3-9-06: 16 & 20

APPLICANT:

Kauai Beachfront Hotel, LLC, as Assignor, Anekona Aloha Ownership LLC, a Delaware limited liability company, whose business and mailing address is c/o Brian A. Anderson, John Dominis, 43 Ahui Street, Honolulu, Hawaii 96813, as Assignee and Mortgagor, and American Property Financing, Inc., a Delaware corporation, whose business and mailing address is 6 East 43rd Street, New York, New York 10017, as Mortgagee.

LEGAL REFERENCE:

Section 171-22 and 36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portions of the Government (Crown) Land of Wailua and portion of Land Patent No. 8202 on Land Commission Award No. 3403, Apana 2 to Pahio, by Deed of William Rose to Territory of Hawaii, dated April 1, 1925, recorded in Book 771, Page 410 (Land Office Deed No. 2856), situated at Kapaa, Wailua, Kauai, identified by TMK: (4) 3-9-06: 16 and 20, as shown on the attached map labeled Exhibit A.

AREA:

General Lease No. S-3831:	2.497 acres, more or less.
General Lease No. S-3840:	6.093 acres, more or less.
General Lease No. S-4647:	1.770 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act.

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

General Lease Nos. S-3831 and S-3840: Resort-hotel purposes.

General Lease No. S-4647: Parking and landscaping purposes.

TERM OF LEASE:

General Lease No. S-3831: 65 years, commencing on May 18, 1964 and expiring on May 17, 2029. Last rental reopening occurred on May 18, 1999; next rental reopening is scheduled for May 18, 2009.

General Lease No. S-3840: 65 years, commencing on July 6, 1964 and expiring on July 5, 2029. Last rental reopening occurred on July 6, 1999; next rental reopening is scheduled for July 6, 2009.

General Lease No. S-4647: 49 years, 1 month and 21 days, commencing on May 16, 1980 and expiring on July 5, 2029. Last rental reopening occurred on May 16, 2000; next rental reopening is scheduled for May 16, 2010.

ANNUAL RENTAL:

General Lease No. S-3831: \$ 55,870

General Lease No. S-3840: \$136,790

General Lease No. S-4647: \$ 10,880

CONSIDERATION:

\$10 million

RECOMMENDED PREMIUM:

Not applicable as the leases do not allow for a premium.

DCCA VERIFICATION:

Assignor:	Place of business registration confirmed:	YES
	Registered business name confirmed:	YES
	Good standing confirmed:	YES
Assignee	Place of business registration confirmed:	YES
	Registered business name confirmed:	YES
	Good standing confirmed:	YES

USE OF LOAN PROCEEDS:

The term of the loan is initially for three years with optional extensions. Loan proceeds in the

amount of \$13.8 million will be used 1) to pay \$7.36 million of the \$10 million sales price, 2) for hotel renovations of \$6.23 million, and 3) as an interest reserve of \$0.21 million.

REMARKS:

The State land demised by General Lease Nos. S-3831, S-3840 and S-4647 is the site of the Aloha Beach Resort, formerly known as the Holiday Inn Sunspree. The resort is operated by Equinox Hotel Management, Inc., on behalf of Kauai Beachfront Hotel, LLC, the Assignor.

The Assignor acquired the property on August 20, 1997 and has spent \$12 million renovating it. After the sale of the resort is consummated the Assignee plans to spend over \$7 million for additional renovations (\$6.23 million of the loan proceeds plus \$796,000 in equity capital).

The Lessee is in compliance with all the terms and conditions of the subject leases.

Rental reopenings for the subject leases are current.

The Assignee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

RECOMMENDATION: That the Board:

- A. Consent to the assignment of General Lease Nos. S-3831, S-3840 and S-4647 from Kauai Beachfront Hotel, LLC, as Assignor, to Anekona Aloha Ownership LLC, as Assignee, subject to the following:
 - 1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time.
 - 2. Review and approval by the Department of the Attorney General.
 - 3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.
- B. Consent to the mortgage between Anekona Aloha Ownership, LLC, mortgagor, and American Property Financing, Inc., mortgagee, subject to the following:
 - 1. The loan proceeds shall be used for the purposes as stated in "Use of Loan Proceeds" above. The Lessee shall maintain records of loan expenditures which may be inspected by the Department.
 - 2. The standard terms and conditions of the most current consent to mortgage form, as may be amended from time to time.
 - 3. Review and approval by the Department of the Attorney General.
 - 4. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

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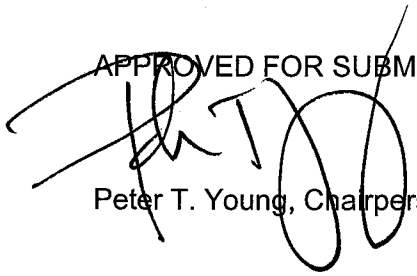
- C. Consent to the issuance of an estoppel certificate to American Property Financing, Inc., mortgagee, relating to General Lease Nos. S-3831, S-3840 and S-4647, subject to the following:
1. The most current standard estoppel certificate form, as may be amended from time to time.
 2. Review and approval by the Department of the Attorney General.
 3. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



 Gary Martin
Land Agent

APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson

EXHIBIT "A"